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Order 2001-1-7

Served: January 17, 2001



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 11th day of January, 2001

Essential Air Service at

Mattoon/Charleston, Illinois

under 49 U.S.C. 41731 *et seq.*

Docket OST-00-8324 - 2

ORDER TO SHOW CAUSE

Summary

By this order, the Department is tentatively terminating the subsidy eligibility of Mattoon/Charleston, Illinois, because the cost of subsidizing each passenger using the local airport exceeds the \$200 per passenger statutory ceiling.

Background

By Order 2000-4-19, April 18, 2000, the Department authorized an annual subsidy rate of \$540,449 for Great Lakes Aviation, Ltd, d/b/a United Express, to provide essential air service at Mattoon/Charleston, Illinois, consisting of 12 nonstop or one-stop round trips a week to Chicago with 19-seat Beech 1900 aircraft. Currently, Great Lakes operates the trips over a Mattoon – Springfield – Chicago (O'Hare) routing.

Under statutory eligibility criteria the Department is prohibited from subsidizing service at communities where subsidy amounts to more than \$200 per passenger, unless they are more than 210 highway miles from the nearest large or medium hub airport.¹ For the most recent 12-month period, i.e., the year ended September 30, 2000, the annual subsidy Great Lakes receives to serve Mattoon, when divided by the number of annual passengers, exceeds \$200 per passenger. Moreover, the community is less than 210 miles from a medium or large hub airport (Indianapolis, St. Louis and Chicago). In addition, on November 15, 2000, Great Lakes filed a 90-day notice of its intent to terminate all

¹ P.L. 106-69, the Department of Transportation and Related Agencies Appropriations Act, 2000, made this a permanent restriction.

scheduled air service at Mattoon effective on February 14, 2001, stating that its existing subsidy rate is inadequate. Great Lakes is the only air carrier providing scheduled service at the community.

Subsidy Cost and Traffic History

Mattoon/Charleston is some 126 miles west of the medium hub airport at Indianapolis, Indiana. The community is also within a relatively short drive of several communities in Illinois that offer commercial air services including Springfield, Decatur, and Champaign/Urbana. Not only does Springfield have multiple daily flights to both Chicago and St. Louis, Champaign/Urbana, less than 50 highway miles away, has evolved into a regional airport for Eastcentral Illinois. The airport has regional jet service to Chicago in addition to turboprop service to the hubs at both Detroit and St. Louis.

Located as such, Mattoon's traffic-generating ability appears to be greatly affected by its proximity to nearby service, including the low-fare service offered at Indianapolis by Southwest Airlines. For the year ended September 30, 2000, the community generated a total of 1,534 passengers traveling in both directions between Mattoon and Chicago-O'Hare. That equates to 4.9 passengers per day based on 313 service days, or an average of 1.2 passengers per flight on Great Lakes' 19-seat aircraft.

As indicated in Appendix A, passenger traffic peaked at the community in 1996 with 3,422 passengers, or 10.9 per day. At the current annual subsidy rate of \$540,449, the 1,534 passengers in the 12 month period ending September 30, 2000, produce a subsidy of over \$350 per passenger – well in excess of the statutory limit of \$200. Looked at another way, with a current annual subsidy rate of \$540,449, and a subsidy cap of \$200 per passenger, Mattoon would have to generate a minimum of 2,703 passengers a year to be under the cap – a passenger level the community has not attained since 1996.

As with most communities across the country, traffic and service levels have fluctuated in response to various factors affecting both the national and local economies. In addition, the cost of providing service to communities served with 19-seat aircraft in particular has increased dramatically due to increased safety requirements included in the Commuter Safety Rule. Other factors that have severely impacted commuter service in recent months include the high cost of pilot training, due to the unprecedented demand for trained pilots by the major airlines, and the well-documented, industry-wide increases in the cost of aviation fuel. These costs and others have risen so dramatically that many carriers have abandoned the 19-seat aircraft altogether.

On the revenue side, we note that Great Lakes is a code-share partner of United Air Lines and as such is in an advantageous position to generate local passengers to Chicago, or another nearby hub, as well as passengers connecting to destinations beyond United's hub at Chicago O'Hare. Therefore, it is unlikely that another carrier could generate significantly more traffic than Great Lakes, or operate at costs substantially below those

incurred by that carrier. Thus, we find it highly unlikely that another carrier could serve Mattoon at a subsidy-per-passenger of less than the \$200 cap.

Decision

Based on all of the above, we have tentatively decided to terminate the subsidy eligibility of Mattoon/Charleston.

Consistent with program practice, we will give the community 20 days to object if it finds that we have made a mistake in any of our calculations. If we receive no objections, Great Lakes is permitted to suspend service at the end of the 90-day notice period, February 13, 2001. If we receive properly filed objections, we will require Great Lakes to continue to serve Mattoon until we issue an order dealing with those objections. Interested carriers, including Great Lakes, may of course provide scheduled service at Mattoon on their own initiative. Our action here simply makes the community ineligible to receive subsidized air service under the federal essential air service program.

In a separate but related matter, we expect Great Lakes to continue to serve the Springfield-Chicago market. It is highly probable that service in this market will improve in terms of reliability and, with sufficient demand, frequency as the carrier refocuses its service strategies in that market.

Before Great Lakes terminates service, we expect it to contact all passengers holding reservations for travel after the suspension date, to notify them of the suspension of service and the availability of nearby air services, and to assist them in making alternate travel arrangements.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. We tentatively terminate the subsidy eligibility of Mattoon/Charleston, Illinois, effective on February 13, 2001, and allow Great Lakes Aviation to terminate service on that date;
2. We direct all interested persons to show cause within 20 days of the date of service of this order why we should not make final the tentative findings and conclusions set forth in paragraph 1 above.² If no objections are filed, all procedural steps will be deemed waived and this order shall become effective on February 13, 2001;³

² Since we are providing for the filing of objections to this order, we will not entertain petitions for reconsideration.

³ Objections should be filed with Dockets Operations and Media Management, SVC-124, Room Pl-401, 400 7th Street, S.W., Washington, D.C. 20590

3. We will afford full consideration to the matters and issues raised in any timely and properly filed objection to this order before we take final action;
4. This docket will remain open until further order of the department; and
5. We will serve a copy of this order on the Mayor and airport manager of Mattoon/Charleston, Illinois, the Governor of Illinois, the Division of Aeronautics of the Illinois Department of Transportation, United Air Lines, Inc., and Great Lakes Aviation, Ltd., d/b/a United Express.

By:

FRANCISCO J. SANCHEZ

Assistant Secretary for Aviation
and International Affairs

(SEAL)

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Revenue Passengers at Mattoon, Illinois

| <u>Year</u> | <u>Number</u> | <u>Average per Day</u> |
|-------------|---------------|------------------------|
| 1996 | 3,422 | 10.9 |
| 1997 | 1,752 | 5.6 |
| 1998 | 1,583 | 5.0 |
| 1999 | 1,828 | 5.8 |
| *2000 | 1,534 | 4.9 |

* Year Ending September 30, 2000.

Source: Bureau of Transportation Statistics, Form 298-C, Schedule T-1. Averages refer to passenger enplanements per service day, based on 313 service days each year.